

Message Text

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ACTION EB-07

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COME-00 XMB-02 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01

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AMEBASSY MOSCOW

AMEMBASSY OSLO

AMEMBASSY PARIS

USLO PEKING

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SUBJECT: SWEDEN TRIES TO NEGOTIATE UNOFFICIAL DEBT-RESCHEDULING

AGREEMENT WITH NORTH KOREA

REF: STATE 228972; STOCKHOLM 5588

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SUMMARY. SWEDEN HOPES TO ARRANGE UNOFFICIAL DEBT-CONSOLIDATION AGREEMENT WITH NORTH KOREA. SWEDISH GOVERNMENT RECENTLY SENT DELEGATION TO PYONGYANG AFTER EFFORTS TO DISCUSS DEBT THROUGH EMBASSIES FAILED. TALKS ARE ONLY IN PRELIMINARY STAGE. INTEREST RATE IS CENTRAL PROBLEM. SWEDEN INSISTS KOREANS PAY PORTIONS OF DEBT NOT USUALLY SUBJECT TO RESCHEDULING BEFORE ANY CONSOLIDATION AGREEMENT ENTERS INTO FORCE.

1. A SWEDISH GOVERNMENT DELEGATION RETURNED FROM NORTH KOREA LAST WEEK AFTER PRELIMINARY DISCUSSIONS WHICH SWEDES HOPE WILL LEAD TO UNOFFICIAL DEBT CONSOLIDATION AGREEMENT BETWEEN NORTH KOREAN FOREIGN TRADE BANK AND TRADING AGENCIES AND SWEDISH BANKS AND EXPORT CREDIT BOARD (EXPORTKREDITNAMNDEN). NEXT ROUND OF TALKS WILL TAKE PLACE IN STOCKHOLM AT TIME NOT YET DECIDED UPON.

2. WOLLRATH THAM, MFA OFFICER IN CHARGE OF EXPORT CREDIT GUARANTEE QUESTIONS AND MEMBER OF SWEDISH DELEGATION TO PYONG-YANG, TOLD EMBOFF THAT, DESPITE LONG EFFORTS THROUGH NORTH KOREAN EMBASSY IN STOCKHOLM AND SWEDISH EMBASSY IN PYONGYANG, SWEDEN HAD BEEN UNABLE TO GET NORTH KOREANS TO TALK ABOUT PROBLEM. "GREAT DIFFICULTIES" THUS ENCOUNTERED FINALLY DROVE SWEDISH TRADE MINISTRY TO SEND DELEGATION TO KOREA. SWEDISH GROUP WAS MADE UP OF GOS OFFICIALS BECAUSE MOST CONTRACTS GUARANTEED BY GOVERNMENT-OWNED EXPORT CREDIT BOARD. BERTIL SWARD, CHAIRMAN OF BOARD, LED DELEGATION.

3. THAM SAID NORTH KOREANS WANT TO DELAY ALL PAYMENTS DUE DURING PERIOD 1975-78 FOR TWO OR THREE YEARS. SWEDEN CONSIDERS REQUEST OUT OF QUESTION AND WILL ONLY DISCUSS 1975 AND 1976 AND MAXIMUM POSTPONEMENT OF TWO YEARS.

4. SWEDISH SIDE WILL NOT PERMIT ANY AGREEMENT TO ENTER INTO FORCE UNTIL NORTH KOREANS SHOW GOOD WILL BY STARTING REPAYMENT OF DEBT ELEMENTS NOT USUALLY SUBJECT TO RESCHEDULING; SHORT-TERM CREDITS (LESS THAN ONE YEAR), ADVANCES AND DOWN PAYMENTS; AND CASH AGAINST DOCUMENTS. TOTAL VALUE OF THESE ITEMS IS SKR 20 MILLION (CURRENTLY OVER \$4.5 MILLION).

5. MAIN OUTSTANDING PROBLEM IS INTEREST RATE. SWEDES ARE ASKING HIGHER RATE FOR RESCHEDULED DEBT THAN RATES IN ORIGINAL LIMITED OFFICIAL USE

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CONTRACTS TO COMPENSATE THEM FOR DELAY IN PAYMENT AND UPWARD TREND IN INTEREST RATES. THAM UNDERSTOOD NORTH KOREANS HAVE CONCLUDED A DEBT-RESCHEDULING AGREEMENT AT SEVEN PERCENT; HE DECLINED TO IDENTIFY THE OTHER COUNTRY INVOLVED.

6. GOS, HE ACKNOWLEDGED, IS WORRIED ABOUT DAMAGE THIS RESCHEDULING COULD WORK UPON PARIS CLUB DISCIPLINE. IN ATTEMPT

TO DISSOCIATE ACTION FROM PARIS CLUB, GOS ITSELF
WILL NOT SIGN ANY AGREEMENT THAT MAY BE WORKED OUT WITH
NORTH KOREANS.

7. THAM SAID OTHER COUNTRIES ARE USING SIMILAR MECHANISM.
FRANCE AND AUSTRALIA HAVE AGREED TO PARTIAL RESCHEDULINGS. HE
BELIEVED BRITISH AND DUTCH BANKS WERE TALKING WITH NORTH
KOREANS.

8. COMMENT. THAM'S REMARKS LEFT NO DOUBT THAT NORTH KOREA
HAS HAD INCOMPARABLY POOR RECORD IN PAYING SWEDISH COMPANIES,
MISSING ADVANCES AND DOWN PAYMENTS, TO SAY NOTHING OF
PRINCIPLE AND INTEREST. EMBOFF RECEIVED STRONG IMPRESSION THAT
SWEDES ARE UNCERTAIN ABOUT NORTH KOREAN GOOD WILL.
STRAUSZ-HUPE'

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